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## Indonesia

### Grain and Feed

### Rice Update

**2006**

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**Report Highlights:**

Mid-November travel in Central Java province by FAS/Jakarta provided significant anecdotal evidence regarding delayed rains. The delay will mean that harvest of the main rice crop will face concomitant delays, and probable policy tussles as rice stocks dwindle and price climbs in the first quarter of 2007.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Jakarta [ID1]  
[ID]

**Rainy Season Delayed on Java**

Extensive travel by road from Jakarta to Yogyakarta, Klaten and along the major rice production region bordering the coast of Central Java November 16-20 gave FAS/Jakarta a first hand view of the problematic nature of the late arrival of the main rainy season in the region. In Klaten, one of the areas most severely damaged by the earthquake in May 2006, the rain delay has given local residents additional time to rebuild their homes and businesses. Nevertheless, the delay, the worst in 23 years according to one local analyst, will push back planting and subsequent harvesting for rice, the principal crop. While local corn, mostly second planting after the main rice harvest, appeared generally in good shape, the "sawah", local rice paddy fields, were largely untilled, and little planting was in evidence.

The dry conditions appeared most acute in the northern portions of Central Java, from Semarang all the way to Jakarta, including Karawang. This region is a major production region for rice. Sawah and larger fields were again largely untilled, with planting held in abeyance until adequate moisture replenishes irrigated water sources.

FAS/Jakarta estimates that the delayed onset of the rains, now almost one month late, will postpone the principal rice harvest for this crucial production region by approximately the same length of time. Main harvest will come in late March – late April 2007. Once it became obvious that the harvest will be coming in late, Jakarta Wholesale prices for Medium IR64, Grade 1 rice increased over 3 percent. During October and the first two weeks of November, the price remained around Rp 4,350. Within two days, it rose to Rp 4,500.

The delayed rainy season is expected to impact the island of Java only, which accounts for over half of Indonesian rice production. The situation is different on the island of Sumatra, which accounts for about one-fourth of Indonesian rice production. Rains have begun in the center of rice production, which is to the north.

**Potential Impact on GOI Policy**

Already interests looking to extend the current rice import ban have begun floating somewhat confounding information, apparently in the hopes that public pronouncements will stall any move to lift the rice import ban given the general knowledge of the impending lateness of the harvest. Ministry of Agriculture officials have forecast that in March 2007, Indonesia will have a "monthly surplus" of over 3 million tons. The Ministry has been the most vocal opponent in the past two years of lifting the import ban. The Ministry also announced an increase in fertilizer prices in the coming year, only to have the President publicly deny the increase, further confusing the situation.

Reports of late rains also exist in West Java, another major rice production region. In addition, the GOI metrological authorities have announced that Indonesia is facing a higher than normal probability of delayed and deficit rainfall this season. While the policy debates with respect to lifting the rice import ban may not heat up until the new year, it remains clear the underlying cause of these likely debates, the late rains and consequent late harvest is a reality.